

**MINUTES OF THE HEALTH AND WELFARE TRUST COMMITTEE MEETING
May 21, 2012**

**University of Colorado System Offices
1800 Grant Street, Denver, 5th floor
Conference Room 501**

I. Call to Order; Introductions

Trust Committee Chair E. Jill Pollock called the meeting to order on Monday, May 21, 2012, at 4:30 p.m. Other trustees attending were Elizabeth Kissick and Darryl Varnado.

Other attendees were:

- Bob Kuehler, Assistant Vice President & University Controller
- Kristine McNamara, Director of Accounting Services, CU
- Tricia Strating, Professional Assistant to Vice President, Employee and Information Service
- Tracy Wiezorek, UPI
- Kathy Dahlman, Mercer Consulting
- Mark Stanker, Trust Plan Administrator and Assistant Vice President, Payroll & Benefit Services, CU
- Gena Trujillo, Plan Administrator
- Don Eldhart, Treasurer, CU
- Jeremy Hueth, Trust Counsel and System Managing Associate Counsel, CU
- Leah Cheney, Legal Assistant to Managing Assistant University Counsel
- Kathy McCreary, Director of Managed Care and Contract Administration, UCH
- Liz Jennings, Manager of Employee Benefits, UCH
- Cindy Birley, Trust Counsel, Davis Graham and Stubbs

II. Approval of February 21, 2011 meeting minutes

There were no corrections needed to the February 21, 2011 meeting minutes.

Elizabeth Kissick moved to approve the minutes. Darryl Varnado seconded the motion. The minutes were approved 4-0 by proxy.

III. FY 2011 Audit Report

Bob Kuehler gave a report on behalf of the Auditor. The auditor made no adjustments to financial statement and there were no comments from management. Auditor did a significant amount of detail testing, but there were no findings.

IV. Receipt of 3rd Quarter Financial and Utilization Reports

The following reports were received, copies of which are attached to these minutes. No questions or comments were received on any report.

A. Financial

Kristine McNamara, Director of Accounting Services, CU

B. Treasury

Don Eldhart, University Treasurer, CU

C. Budget Performance

Mark Stanker, Assistant Vice President, Payroll & Benefit Services, CU, and Trust Plan Administrator

D. Plan Utilization

Kathy Dahlman, Mercer

Moved by Darryl Varnado; seconded by Elizabeth Kissick.

V. Public Comment Period

No public comments were received.

VI. Meeting Schedule

The next trust committee meeting will be June 18, 2012 4:30 p.m. in the Astronauts Conference Room, 8th floor, University of Colorado System Offices, 1800 Grant Street, Denver, Colorado.

VII. Adjournment

Moved by Elizabeth Kissick; seconded by Darryl Varnado. The meeting was adjourned at 4:50 p.m.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - THIRD QUARTER REPORTS

May 21, 2012

Financial Reports: *Kristine McNamara, Director of Accounting Services – Office of University Controller*

FY12 - Balance Sheet

FY12 - Statement of Revenues, Expenses, and Changes in Plan Net Assets

Treasury: *Don Eldhart, University Treasurer*

Quarterly Report on Investments

Bank and Investment Balances by Day – FY11

Bank and Investment Balances by Day – FY12

Monthly Minimum Resources

Budget Performance: *Mark Stanker, as Trust Plan Administrator*

FY12 - Budget to Actual + Projected Expense Report

Plan Utilization: *Kathy Dahlman, Mercer*

Fiscal Year 2012 Q3 Financial Highlights

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - THIRD QUARTER REPORTS

May 21, 2012

Financial Reports: *Kristine McNamara, Director of Accounting Services – Office of University Controller*

FY12 - Balance Sheet

FY12 - Statement of Revenues, Expenses, and Changes in Plan Net Assets

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY12 - BALANCE SHEET (unaudited), As of: 3/31/2012
May 21, 2012

<u>Assets</u>	<u>Current</u> <u>Quarter (Q3)</u> <u>3/31/2012 *</u>	<u>Last</u> <u>Quarter (Q2)</u> <u>12/31/2011 *</u>	<u>FY11</u> <u>Year End</u> <u>6/30/2011</u>	<u>FY11</u> <u>Quarter (Q3)</u> <u>3/31/2011</u>
Cash:				
Medical	\$ 330,197	335,548	202,741	65,561
University of Colorado Flexible Spending Account**	895,049	617,564	688,696	806,407
University Hospital Flexible Spending Account**	215,069	127,058	178,142	99,787
University Physician's Inc. Flexible Spending Account**	15,911	9,801	24,098	13,229
Investments	16,552,138	16,112,604	6,571,010	12,524,538
Premiums Receivable - Medical	2,657,554	3,985,462	45,947	17,371
Pharmacy Rebate Receivable	-	100,063	1,799,826	-
Receivable from Member	-	-	2,670,000	-
Medical Flex Receivable**	-	-	7,442	-
Miscellaneous Receivables	145,218	158,843	423,852	-
Total Assets	\$ 20,811,136	21,446,943	12,611,754	13,526,893
<u>Liabilities and Net Assets</u>				
Accounts Payable - Medical	924,072	2,578,583	487,855	488,711
Contracts Payable	-	13,642	112,553	-
Benefit Claims Payable - Medical	1,984,870	659,857	2,398,681	2,871,380
Global Payment Fees Payable	-	989,937	989,937	-
Incurred But Not Reported Claims Estimate	5,618,631	5,618,631	5,618,631	-
Flexible Spending	-	-	-	1,017,356
Total Liabilities	8,527,572	9,860,650	9,607,657	4,377,447
Plan Net Assets	12,283,564	11,586,293	3,004,097	9,149,446
Total Liabilities and Plan Net Assets	\$ 20,811,136	21,446,943	12,611,754	13,526,893

* Kaiser Plan added to Trust in FY12.

** These accounts are eliminated for external reporting.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY12 - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN PLAN NET ASSETS (unaudited)
For the Nine Month Period Ended March 31, 2012

	Current Quarter (Q3) 3/31/2012 *	Last Quarter (Q2) 12/31/2011 *	FY11 Year End 6/30/2011	FY11 Quarter (Q3) 3/31/2011
<u>Operating Revenues</u>				
Employer Contributions	\$ 93,608,066	62,163,908	96,706,116	70,656,780
Employee Contributions	19,174,418	12,841,822	13,144,916	9,264,826
Flexible Spending**	5,219,284	3,586,490	6,012,904	-
Total Operating Revenues	118,001,768	78,592,220	115,863,936	79,921,606
<u>Operating Expenses</u>				
Medical Claims	94,368,494	58,877,131	101,376,495	65,812,904
Flexible Spending**	4,885,213	3,659,877	4,987,773	-
Total Claims	99,253,707	62,537,008	106,364,268	65,812,904
Medical Claims Administration	8,682,363	7,107,730	5,752,437	4,295,739
Flexible Spending Accounts Claims Administration**	106,421	70,568	126,753	97,933
General and Administrative	384,715	267,692	1,013,479	569,316
Total Administrative	9,173,498	7,445,990	6,892,669	4,962,988
Total Operating Expenses	108,427,205	69,982,998	113,256,937	70,775,892
Operating Income	9,574,563	8,609,222	2,606,999	9,145,714
<u>Non-Operating Revenues (Expenses)</u>				
Investment Earnings	9,828	4,857	5,731	3,712
Wellness Initiative	(345,905)	(31,883)	286,625	-
Miscellaneous	40,982	-	104,722	-
Total Non-Operating Revenues (Expenses)	(295,096)	(27,026)	397,078	3,712
Change in Plan Net Assets	9,279,467	8,582,196	3,004,077	9,149,426
Plan Net Assets Beginning of Period	3,004,097	3,004,097	20	20
Plan Net Assets End of Period	\$ 12,283,564	11,586,293	3,004,097	9,149,446

* Kaiser Plan added to Trust in FY12.

** These accounts are eliminated for external reporting.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - THIRD QUARTER REPORTS

May 21, 2012

Treasury: *Don Eldhart, University Treasurer*

Quarterly Report on Investments

Bank and Investment Balances by Day – FY11

Bank and Investment Balances by Day – FY12

Monthly Minimum Resources



University of Colorado
Boulder | Colorado Springs | Denver | Anschutz Medical Campus

Office of the Treasurer

Memo

To: Members of the University of Colorado Health and Welfare Trust Board
From: Donald A. Eldhart, Treasurer
Date: May 9, 2012
Re: Quarterly Report on Investments

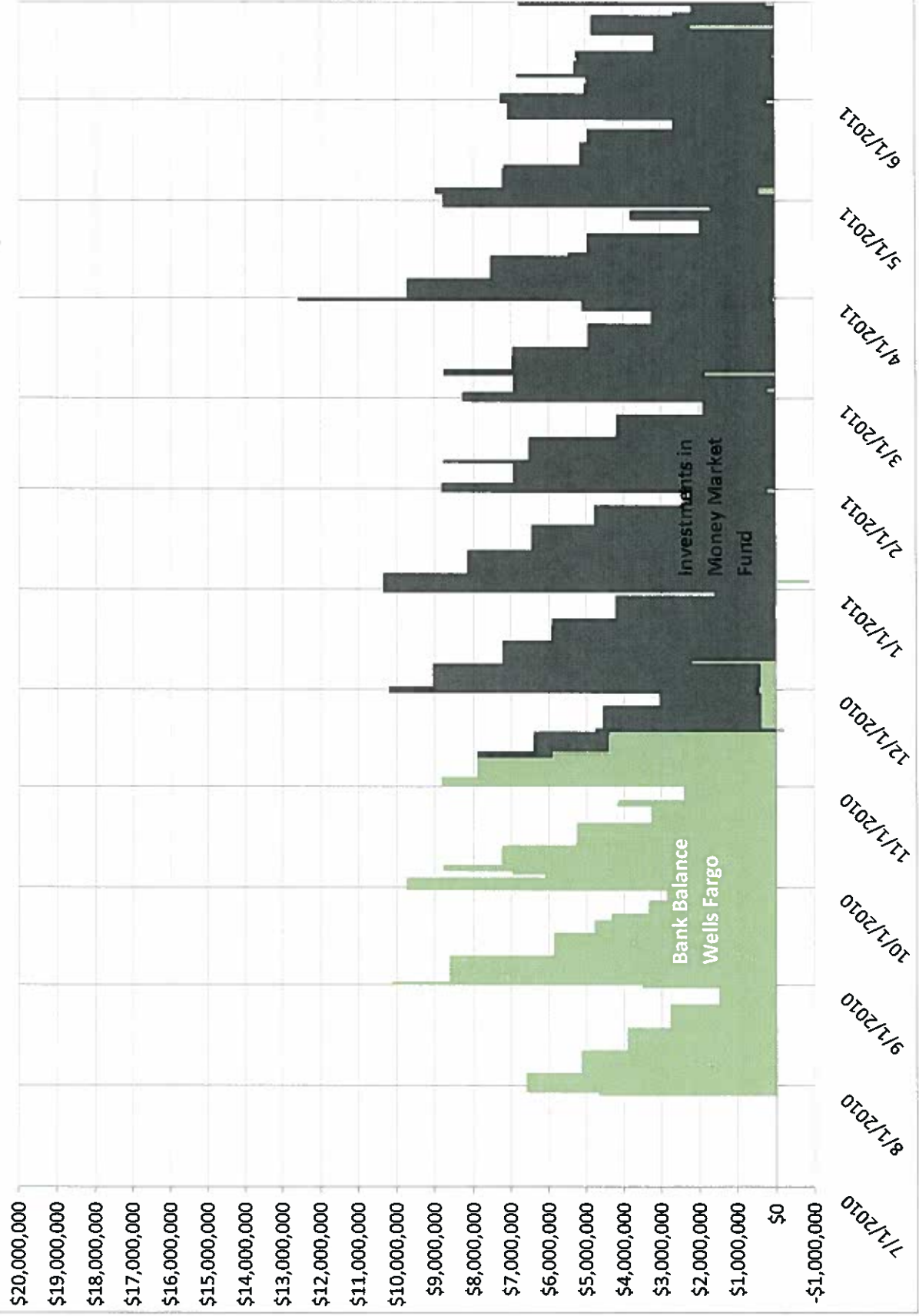
The Trust's investments at March 31, 2012, totaled \$16.55 million. This amount was invested in the BlackRock TempFund, a money market mutual fund rated AAAm and Aaa by Standard & Poor and Moody's, respectively. Money market mutual funds are permitted by the Trust's investment policy. Although money market fund yields are meager, the funds are a reasonable choice for safety and liquidity.

The pattern on the enclosed chart for fiscal year 2012 shows investable balances have stabilized and the cash-flow patterns are reasonably predictable from month to month. The low points, by month, for the third quarter of fiscal year 2012 varied from \$7.2 million in March to \$9.1 million in January. I continue to feel it is ill advised to take on more duration risk in an interest rate environment where the yield on the 10-year US Treasury is negative and the amount of the Trust's assets that are not needed for liquidity is uncertain.

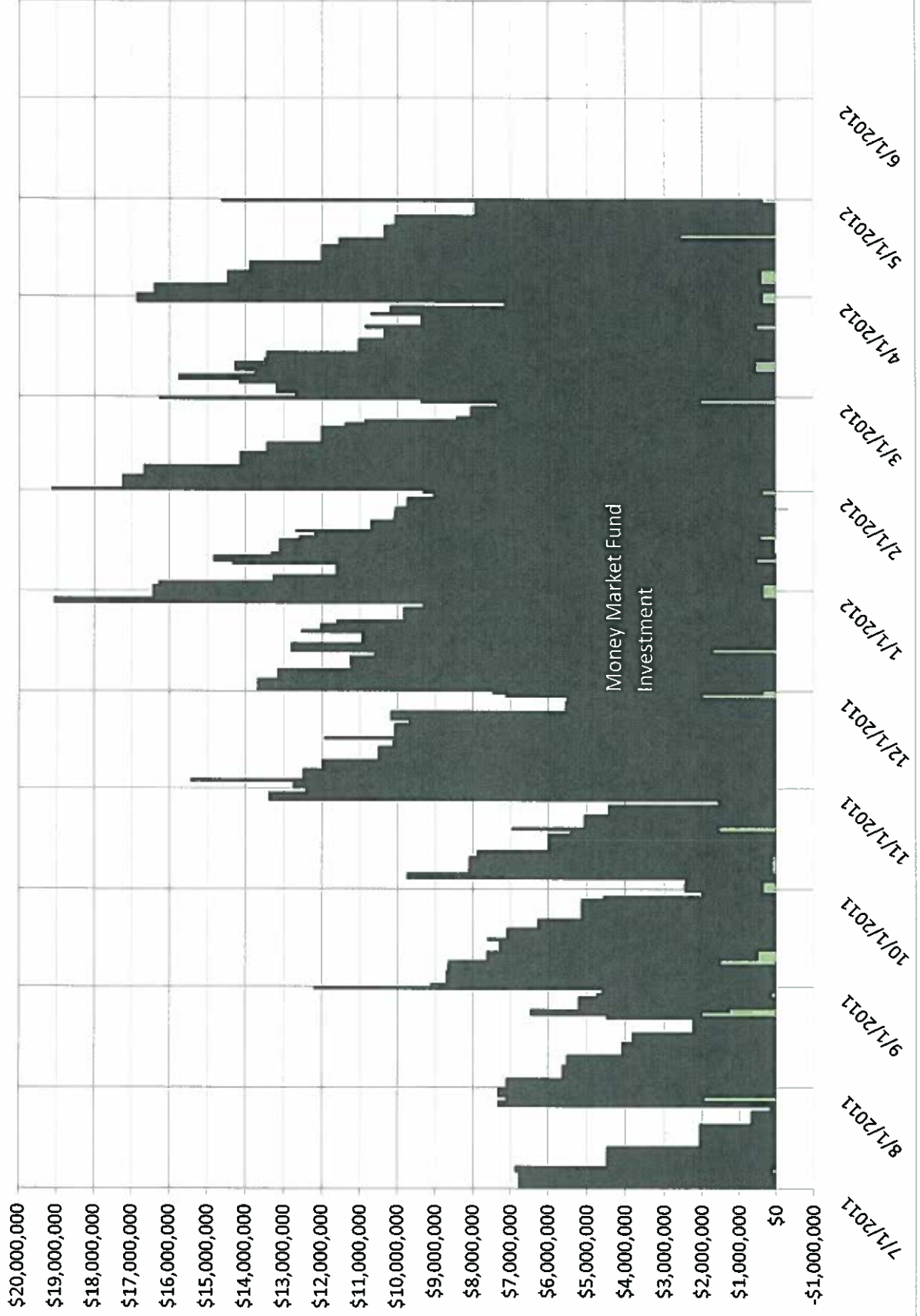
The first two attached charts (Fiscal Year 2011 information is included for comparison) show the value of resources available for investment, by day, for the first 22 months of operations, starting on July 29, 2010. The third chart depicts just the minimum monthly investible resources for fiscal year 2011 and for the first ten months of fiscal year 2012. Fiscal year 2011 minimums were reasonably steady. The minimum monthly resources for fiscal year 2012 look positive for taking some duration risk if the minimums remain near \$9 million and returns match or exceed inflation.

In terms of performance, the Trust's investments in the BlackRock TempFund outperformed all but 12% of ninety-nine money market funds within the Money Market Funds database, and the investment returns on the Trust's money market fund of 14 basis points (0.14%) for the quarter exceeded that of the benchmark. However, returns continue to be unattractive. Performance trailed the Consumer Price Index which was 1.86% for the quarter.

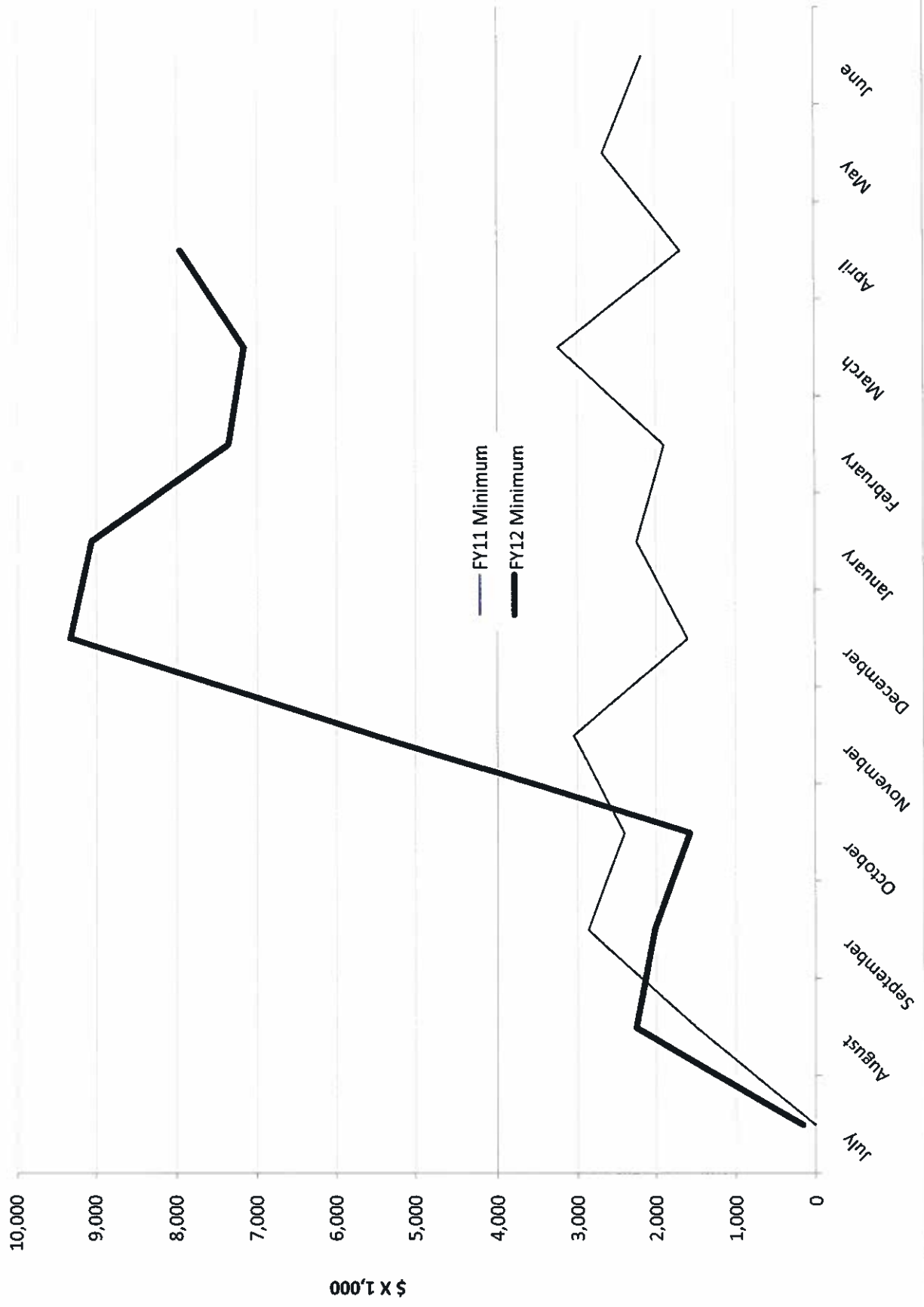
Bank and Investment Balances by Day **Wells Fargo and Money Market Fund - FY2011**



Bank and Investment Balances by Day **Wells Fargo and Money Market Fund - FY2012**



UCHWT Monthly Minimum Resources



UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - THIRD QUARTER REPORTS

May 21, 2012

Budget Performance: *Mark Stanker, as Trust Plan Administrator*

FY12 - Budget to Actual + Projected Expense Report

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY12 - BUDGET TO ACTUAL + PROJECTED EXPENSE REPORT - As of: 3/31/2012
May 21, 2012

	FY12 CURRENT BUDGET	FY12 TOTAL BUDGET	FY12 ACTUALS AS OF 3/31/12	FY12 ENCUMBRANCES	FY12 AVAILABLE AMOUNT	FY12 % BUDGET TO ACTUALS	* FY11 % BUDGET TO ACTUALS
REVENUES/INFLOWS							
SELF-INSURED MEDICAL PLANS (NON-COBRA AND COBRA)	\$ (146,536,000)						
ANTHEM		\$ (109,973,000)	\$ (86,414,034)		\$ (23,558,966)	78.58%	74.19%
KAISER		\$ (33,395,000)	\$ (25,278,109)		\$ (8,116,891)	75.69%	
COLORADO ACCESS		\$ (3,168,000)	\$ (1,087,631)		\$ (2,080,369)	34.33%	
HEALTH CARE FSA PLANS							
ASI	\$ (6,030,000)						80.23%
PAYFLEX		\$ (4,655,000)	\$ (3,903,600)		\$ (751,400)	83.86%	
UCH Rx REVENUE		\$ (1,375,000)	\$ (1,134,489)		\$ (240,511)	82.51%	
INVESTMENT INCOME		\$ (3,860,000)	\$ (1,799,826)		\$ (2,060,174)	46.63%	
MISC REVENUE			\$ (9,828)				
TOTAL REVENUE/INFLOWS	\$ (156,426,000)	\$ (156,426,000)	\$ (119,754,788)	\$ -	\$ (36,671,212)	76.56%	74.51%
EXPENSES/OUTFLOWS							
INCURRED SELF-INSURED CLAIMS AND RESERVES							
ANTHEM	\$ 123,806,000	\$ 92,662,000	\$ 67,093,685		\$ 25,568,315	72.41%	63.44%
KAISER		\$ 28,475,000	\$ 16,283,021		\$ 12,191,979	57.18%	
COLORADO ACCESS		\$ 2,669,000	\$ 768,124		\$ 1,900,876	28.78%	
GLOBAL PAYMENTS	\$ 12,807,000	\$ 12,807,000	\$ 10,547,064		\$ 2,259,936	82.35%	55.34%
ADMINISTRATIVE FEES, MISC CHARGES							
ASO FEES	\$ 11,354,000						
ANTHEM		\$ 6,254,000	\$ 4,450,512		\$ 1,803,488	71.16%	59.04%
KAISER		\$ 4,920,000	\$ 2,901,696		\$ 2,018,304	58.98%	
COLORADO ACCESS		\$ 180,000	\$ 41,712		\$ 138,288	23.17%	
BANK CHARGES	\$ 6,800	\$ 6,800	\$ 3,316		\$ 3,484	48.76%	87.86%
MISC CHARGES	\$ 10,000	\$ 10,000	\$ 11,642		\$ (1,642)	116.42%	4.53%
FSA CLAIMS ADMINISTRATION	\$ 136,000						0.00%
ASI		\$ 100,000	\$ 67,682		\$ 32,318	67.68%	
PAYFLEX		\$ 36,000	\$ 31,298		\$ 4,703	86.94%	
FSA CLAIM PAYMENTS							
ASI	\$ 5,900,000	\$ 4,561,000	\$ 3,811,507		\$ 749,493	83.57%	63.45%
PAYFLEX		\$ 1,339,000	\$ 1,066,264		\$ 272,736	79.63%	

* FY11 Total Budget: \$113,542,954 (Anthem as only ASO)

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY12 - BUDGET TO ACTUAL + PROJECTED EXPENSE REPORT - As of: 3/31/2012
May 21, 2012

	FY12 CURRENT BUDGET	FY12 TOTAL BUDGET	FY12 ACTUALS AS OF 3/31/12	FY12 ENCUMBRANCES	FY12 AVAILABLE AMOUNT	FY12 % BUDGET TO ACTUALS	* FY11 % BUDGET TO ACTUALS
WELLNESS & PREVENTION	\$ 1,050,000						122.18%
HEALTH RISK ASSESSMENT		\$ 260,000	\$ 260,950		\$ (950)	100.37%	
SOM POPULATION MANAGEMENT		\$ 300,000			\$ 300,000	0.00%	
AMERICA ON THE MOVE		\$ 150,000		\$ 100,000	\$ 50,000	0.00%	
COLORADO WEIGH		\$ 40,000	\$ 36,875		\$ 3,125	92.19%	
PILOTS AND STUDIES		\$ 300,000	\$ 61,961		\$ 238,039	20.65%	
DATA WAREHOUSE	\$ 260,000	\$ 260,000		\$ 260,000	\$ -	0.00%	
TRUST FEES							32.07%
CONSULTING	\$ 445,000						
ACTUARY		\$ 150,000	\$ 105,292		\$ 44,708	70.19%	
LEGAL		\$ 150,000	\$ 145,214		\$ 4,786	96.81%	
MANAGEMENT		\$ 65,000	\$ 101,870		\$ (36,870)	156.72%	
BENEFITS/CONTRACTING		\$ 50,000			\$ 50,000	0.00%	
AUDIT		\$ 30,000	\$ 29,500		\$ 500	98.33%	
INSURANCE	\$ 65,700						113.12%
FIDUCIARY LIABILITY		\$ 27,100	\$ 31,836		\$ (4,736)	117.48%	
ERRORS AND OMISSIONS		\$ 36,100	\$ 63,287		\$ (27,187)	175.31%	
CRIME		\$ 2,500	\$ 4,684		\$ (2,184)	187.36%	
ADMINISTRATIVE	\$ 563,500						0.00%
PAYROLL & BENEFIT SERVICES		\$ 270,000	\$ 101,597		\$ 168,403	37.63%	
CONTROLLER'S OFFICE		\$ 10,000	\$ 6,647		\$ 3,353	66.47%	
TREASURY		\$ 6,000			\$ 6,000	0.00%	
MEDICATION THERAPY MANAGEMENT		\$ 225,500		\$ 225,500	\$ -	0.00%	
FORMULARY REVIEW		\$ 52,000		\$ 52,000	\$ -	0.00%	
TOTAL EXPENSES/OUTFLOWS	\$ 156,404,000	\$ 156,404,000	\$ 108,027,235	\$ 637,500	\$ 47,739,265	69.07%	62.30%
CHANGE IN NET PLAN ASSETS	\$ (22,000)	\$ (22,000)	\$ (11,727,553)	\$ 637,500	\$ 11,068,053		

* FY11 Total Budget: \$113,542,954 (Anthem as only ASO)

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - THIRD QUARTER REPORTS

May 21, 2012

Plan Utilization: Kathy Dahlman, *Mercer*

Fiscal Year 2012 Q3 Financial Highlights

May 21, 2012

University of Colorado Health and Welfare Trust Fiscal Year 2012 Q3 Financial Highlights

- Year to date, through the third quarter, the trust results are 3.6% below budgeted accrual rates.
 - Budget: \$112.7M
 - Actual: \$108.7M
- Actual to budget results are shown assuming a straight line budget; after accounting for trend and seasonality, projected results point to an annual budget surplus (including funding for reserves and \$1.8M UCH pharmacy revenue sharing) of 3.0%.
- The third quarter results are overall favorable versus the third quarter of fiscal year 2011.
 - Medical claims PEPM is 1.2% higher
 - Rx claims PEPM is 1.6% higher
 - Overall PEPM is 3.6% higher, reflecting administration fees and that some Kaiser costs that might otherwise be considered a medical claims are counted in administrative fees
- All claims are measured on an incurred basis, and so estimates have been made for those claims which have been incurred but not yet reported.
- A reserve of \$12.1M has been calculated as necessary to provide for both incurred but not reported claims (\$9.9M) as well as claims reported as paid by Anthem but not yet reimbursed to Anthem by the trust (\$2.2M). The reserve has been incorporated into the comparison of actual costs to budgeted rates discussed above.
- There are 9 claimants with more than \$250,000 in claims that have been both incurred since self funded plan inception and paid in the last 12 months. The expected number of claims in excess of \$250,000 for the full year on a paid basis is 22.
- Reporting for Kaiser and Colorado Access are likely to have a greater degree of variability of accuracy than will be found in future quarterly reporting results due to data immaturity, although the data is in a more mature state than when second quarter reporting was presented.